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ORIGINAL

ELEVENTH ANNUAL REPORT ON THE AIRPORT AND AIRWAY TRUST FUND

COMPLETED

COMMUNICATION

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

THE ELEVENTH ANNUAL REPORT ON THE FINANCIAL CONDITION AND RESULTS OF THE OPERATIONS OF THE AIRPORT AND AIRWAY TRUST FUND, COVERING FISCAL YEAR 1981, PREVIOUSLY SUBMITTED PURSUANT TO SECTION 208(e)(1) OF THE AIRPORT AND AIRWAY REVENUE ACT OF 1970, AS AMENDED

JULY 12, 1982.—Referred to the Committee on Ways and Means and ordered to be printed

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DEPARTMENT OF THE TREASURY,
Washington, D.C., July 6, 1982.

Hon. THOMAS P. O'NEILL, Jr.,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: I have the honor to submit the eleventh annual report on the financial condition and results of the operations of the Airport and Airway Trust Fund, as required by section 208(e)(1) of the Airport and Airway Revenue Act of 1970, as amended.

The report contains comments on highlights of the fund, data on fiscal 1981 and prior year operations and financial condition, and estimated data for the following fiscal years. Supporting statements include annual and cumulative data on the basis of existing legislation and continuation of the fund through 1987.

Sincerely,

PAUL H. TAYLOR.

Enclosure.

ELEVENTH ANNUAL REPORT ON THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE AIRPORT AND AIRWAY TRUST FUND, SEPTEMBER 30, 1981

FOREWORD

The Airport and Airway Trust Fund was established on the books of the Treasury in fiscal 1971, in accordance with provisions of section 208(a) of the Airport and Airway Revenue Act of 1970 (49 U.S.C. 1742(a)). Amounts equivalent to the taxes received in the Treasury on aviation fuel, transportation by air, use of civil aircraft, gasoline used in aircraft, and tires and tubes used on aircraft are designated by the act to be appropriated and transferred from the general fund of the Treasury to the trust fund. These transfers are made at least quarterly on the basis of estimates amed by the Secretary of the Treasury, subject to adjustments in later transfers to the amount of actual tax receipts. When the provisions of section 208(e) of the act have been met, amounts available in the fund in excess of outlay requirements shall be invested in public debt securities and interest thereon credited to the fund. There are also credited to the fund additional sums from the general fund, as authorized and made available by law, to meet outlay requirements in excess of available revenues, if necessary.

Amounts required for outlays to carry out the airport and airway program are made available to the Federal Aviation Administration, Department of Transportation. Other charges to the trust fund are made by the Secretary of the Treasury for transfers of certain refunds of taxes and certain section 39 credits of the Internal Revenue Code of 1954.

Annual reports to Congress are required by section 208(e)(1) of the act to be submitted by the Secretary of the Treasury, after con-

sultation with the Secretary of Transportation. These reports are required to cover the financial condition and the results of operations of the fund during the past fiscal year and the expected condition and operations of the fund during the next 5 years.

Following is a summary of the operations for fiscal 1981:

	Millions
Receipts:	
Net taxes	$21.4
Interest on investments	560.9
Total receipts	582.3
Outlays	1,305.8
Total decrease in assets	−723.5
Balance in the fund Oct. 1, 1980	5,442.3
Net decrease in assets	−723.5
Balance in the fund Sept. 30, 1981	4,718.8

NOTE: Further details of the operations are included in Statement No. 1. Details of figures may not add to totals because of rounding.

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Receipts

The rates of taxes through fiscal 1980 were: Any liquid fuel other than gasoline, 7 cents a gallon; gasoline (commercial, 4 cents a gallon and non-commercial, 7 cents a gallon); tires used on aircraft, 5 cents a pound; tubes used on aircraft, 10 cents a pound; transportation by air—seats, berths, etc., 8 percent of the amount paid for taxable transportation; use of international travel facilities, $3 upon any amount paid (within or without the United States) for any transportation that begins in the United States; transportation of property, 5 percent of the amount paid (within or without the United States) for such transportation; and use of any taxable civil aircraft, $25, plus any aircraft (other than a turbine engine-powered aircraft), 2 cents a pound for each pound of the maximum certificated takeoff weight in excess of 2,500 pounds, or for any turbine engine-powered aircraft, 3⅛ cents a pound for each pound of the maximum certificated takeoff weight.

Transfers to the trust fund of amounts equivalent to the above taxes, net of refunds, amounted to $21.4 million in fiscal 1981, a net decrease of $1.852.4 million when compared with fiscal 1980.

Comparative amounts of net taxes transferred to the trust fund for the 2 years are shown in Statement No. 1 and summarized as follows:

[Dollar amounts in millions]

	Fiscal 1981		Fiscal 1980		
	Net taxes transferred	Percent of total	Net taxes transferred	Percent of total	Increase, or decrease (−)
Liquid fuel other than gasoline	−$1.6	−7.5	$40.8	2.2	−$42.4
Tires and tubes			.9	.1	−.9
Gasoline	−.5	−2.3	27.9	1.5	−28.3
Transportation by air—seats, berths, etc.	18.6	86.9	1,600.6	85.4	−1,582.0
Use of international travel facilities	8.7	40.6	92.0	4.9	−83.3
Transportation of property, cargo	−2.3	−10.8	91.8	4.9	−94.1
Use of civil aircraft	−1.5	−7.0	19.7	1.1	−21.2
Total net taxes	21.4	100.0	1,873.8	100.0	−1,852.4

Under the provisions of section 208(b) of the act, amounts are appropriated and transferred to the trust fund twice monthly on the basis of estimates and adjusted to an actual basis on certifications of the Internal Revenue Service. However, these transfers expired Sept. 30, 1980, with the exception of adjustments and refunds. Adjustments in amounts transferred, amounted to $21.7 million during fiscal 1981. The adjustments were approximately 86.4 percent of the total transfers to the fund. Also, a transfer from an escrow account per court decision amounted to $3.4 million.

As required by the legislation, amounts equivalent to tax credits, under section 39 of the Internal Revenue Code of 1954, are charged to the trust fund on the basis of estimates by the Secretary of the Treasury. The estimates are subject to adjustments in later charges to the fund on the basis of certifications of the Internal Revenue Service. In fiscal 1981 estimated tax credits and actual cash refunds accounted for $3.8 million in reductions of transfers to the fund. During fiscal 1981, the trust fund was credited with $560.9 million of interest on investments in public debt securities, bringing the total credits to $528.3 million, compared with $2,273.8 million in fiscal 1980.

[In millions of dollars]

	Fiscal 1981	Fiscal 1980	Increase, or decrease (−)
Transfers on basis of tax receipts estimates		1,796.2	−1,796.2
Quarterly adjustments	21.7	80.3	−58.6
Transfer from escrow account	3.4		3.4
Total transfers	25.1	1,876.5	−1,851.4
Refunds of taxes	−3.8	−2.7	−1.1
Net transfers	21.4	1,873.8	−1,852.4
Interest on investments [1]	560.9	399.9	161.0
Total receipts	582.3	2,273.8	−1,691.5

[1] Includes $87,900,000 of interest transferred from the Virgin Islands and Puerto Rico escrow account per court decision.

Outlays

Airport and airway program outlays are made by the Federal Aviation Administration, Department of Transportation, from funds made available from the trust fund, as provided by appropriation acts. During fiscal 1981, outlays from the fund amounted to $1,305.8 million, an increase of $82.2 million compared with the prior fiscal year. Outlays from the fund are shown in Statement No. 1.

Investments

Balances in the trust fund determined to be in excess of requirements for current outlays are invested by the Secretary of the Treasury in interest-bearing securities of the United States issued exclusively to the trust fund, as authorized by section 208(e)(2) of the act. The rate of interest on these investments is the average rate on marketable interest-bearing debt adjusted to the next lower one-eighth of 1 percent. On September 30, 1981, the fund held $4,711.7 million in Government account series, Treasury certificates of indebtedness bearing interest at 11⅝ percent, maturing June 30, 1982.

Balance in the fund

The balance in the fund as of September 30, 1981, was $4,718.8 million, a decrease of $723.5 million from the September 30, 1980, balance of $5,442.3 million. The balance consisted of investments of $4,711.7 million and an undisbursed balance of $7.2 million.

Cumulative summary

Cumulative operations, from inception in 1971 through September 30, 1981, are summarized as follows:

	Millions
Receipts:	
Excise taxes:	
Liquid fuel other than gasoline	$286.8
Tires and tubes	14.7
Gasoline	261.8
Transportation by air—seats, berths, etc	9,030.9
Use of international travel facilities	601.6
Transportation of property, cargo	530.1
Use of civil aircraft	222.6
Refunds of taxes	−23.2
Subtotal	10,925.4
Federal payment to the fund	720.3
Transfers of certain general fund balances	873.0
Interest on investments [1]	1,926.7
Total receipts	14,445.4
Outlays:	
Operations	2,804.6
Grants-in-aid for airports	3,741.3
Facilities and equipment	2,429.2
Research, engineering, and development	749.3
Aviation Advisory Commission—salaries and expenses	1.9
Interest on refunds of taxes	.3
Total outlays	9,726.6
Balances in the fund:	
Investment in public debt securities	4,711.7
Undisbursed balance	7.2
Total balances	4,718.8

[1] Includes $87.9 million of interest transferred from the Virgin Islands and Puerto Rico escrow account per court decision.

HISTORY AND PROJECTIONS

Current legislation (1971–1981)

The Airport and Airway Development Act of 1970, Public Law 91–258, as amended, authorizes expenditures from the Airport and Airway Trust Fund for the following activities:

1. *Planning grants.*—Section 13 of the act authorizes the Secretary of Transportation to make grants to planning agencies for airport system planning and to public agencies for airport master planning. These grants promote effective location and development of airports and development of an adequate national airport system plan. Total funds obligated under this section may not exceed $150 million and the amount obligated in any one fiscal year may not exceed $15 million.

2. *Airport development aid program.*—Under Section 14(a) of the act the Secretary is authorized to make grants for airport develop-

ment by grant agreements with sponsors in order to bring about, in conformity with the national airport system plan, establishment of a nationwide system of public airports adequate to meet present and future needs of civil aeronautics. The act provides for obligating not less than or more than $280 million annually for each of the fiscal years 1971 through 1973, $310 million for fiscal years 1974 and 1975, $500 million for fiscal year 1976 including the transition quarter, $510 million for fiscal year 1977, $540 million for fiscal year 1978, $575 million for fiscal year 1979, $667 million for fiscal year 1980, and $450 million for fiscal year 1981.

3. *Facilities and equipment.*—Section 14(c) of the act provides for acquisition, establishment, and improvement of air navigation facilities. The act provides for obligating not less than $250 million for each of the fiscal years 1971 through 1975, not less than $312 million for fiscal year 1976 including the transition quarter, and not less than or more than $250 million for fiscal years 1977 through 1980; $350 million was appropriated for this purpose in fiscal year 1981.

4. *Research, engineering, and development.*—Section 14(d) of the act authorizes appropriations to develop, modify, test, and evaluate air navigation and traffic control systems. Under this provision $784 million was appropriated for fiscal years 1971 through 1981.

5. *Operations and maintenance.*—Section 14(e) of the act funds a portion of the operation and maintenance of the air traffic control and navigation system. Appropriations in the amount of $1,023 million were made from the trust fund for this purpose through fiscal year 1972. In fiscal year 1973, these activities were entirely funded from the general fund. However, the act now provides for funding some of the direct costs to flight check and maintain air navigation facilities from the trust fund within prescribed limits. The amounts appropriated under this section may not exceed $250 million in fiscal year 1977, $275 million in fiscal year 1978, $300 million in fiscal year 1979, and $325 million in fiscal year 1980; $525 million was appropriated for this purpose in fiscal year 1981.

Proposed legislation

The administration is proposing legislation to reestablish the authority to transfer funds to the Airport and Airway Trust Fund which expired on September 30, 1980. Funding levels for fiscal years 1982–87 total $22 billion. This includes $2.7 billion for airport development and planning; $6.3 billion for facilities and equipment; $1.2 billion for research, engineering and development, and facilities, engineering and development; and $11.8 billion for user financing of the FAA's cost of operating the airway system. The budget figures presented in this report presume reestablishment of authority for the trust fund receipt of revenue on July 1, 1982.

Proposed changes will also be made in the user taxes that sustain the trust fund to provide a closer balance between the sources of revenue and the groups that benefit from the various trust fund programs. Specific changes in the legislation call for the following fuel tax rates effective:

	July 1, 1982	Oct. 1, 1983	Oct. 1, 1984	Oct. 1, 1985	Oct. 1, 1986
General aviation gasoline tax (cents/gallon)	12	14	16	18	20
General aviation jet fuel tax (cents/gallon)	14	16	18	20	22

STATEMENT NO. 2.—STATUS OF AIRPORT AND AIRWAY TRUST FUND, ACTUAL THROUGH SEPT. 30, 1981 AND ESTIMATES 1982–87

[In millions of dollars]

Fiscal year—	Receipts							Outlays	Cash balance in the fund [2]
	Excise taxes [1]			Interest on investments	Federal payment	General fund transfers	Total		
	Gross	Refunds	Net						
ACTUAL									
1971	564	2	563	----------	----------	621	1,184	287	897
1972	650	1	649	----------	647	255	1,551	1,389	1,058
1973	760	2	758	----------	73	−4	828	699	1,187
1974	842	2	840	28	----------	----------	868	521	1,534
1975	964	1	962	96	----------	----------	1,058	579	2,013
1976	940	2	938	146	----------	----------	1,084	547	2,550
TQ [3]	277	1	277	1	----------	----------	278	92	2,736
1977	1,193	2	1,191	194	----------	----------	1,384	853	3,268
1978	1,328	2	1,326	219	----------	----------	1,545	1,115	3,698
1979	1,528	2	1,526	282	----------	----------	1,809	1,114	4,392
1980	1,877	3	1,874	400	----------	----------	2,274	1,224	5,442
1981	25	4	21	561	----------	----------	582	1,306	4,719
ESTIMATES									
1982	280	----------	280	444	----------	----------	724	1,600	3,843
1983	2,663	2	2,661	412	----------	----------	3,073	2,810	4,106
1984	3,022	2	3,020	385	----------	----------	3,405	3,089	4,422
1985	3,428	2	3,426	481	----------	----------	3,907	3,581	4,748
1986/1987	8,144	4	8,140	1,141	----------	----------	9,281	7,173	6,856
Total	28,485	34	28,452	4,790	720	872	34,935	27,979	23,975

[1] Estimated excise taxes based on proposed legislation which replaces taxes in effect on Sept. 30, 1980, with a new general aviation gasoline tax and general aviation jet fuel tax effective July 1, 1982. Taxes on use of civil aircraft deleted. All other taxes unchanged from levels in effect from 1970 through 1980.

[2] Large portions of the unexpended balance are committed to liquidate outstanding unfunded obligations (contract authority) and to liquidate unexpended appropriations.

[3] Transition quarter.

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STATEMENT NO. 1.—STATUS OF AIRPORT AND AIRWAY TRUST FUND, SEPT. 30, 1981

Description	Internal Revenue Code Section (26 U.S.C.)	Cumulative through Sept. 30, 1981		Fiscal year 1981		Fiscal year 1980		Increase or decrease (−) 1981 compared with 1980
		Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	
RECEIPTS								
Excise taxes (transferred from general fund):								
Any liquid fuel other than gasoline	4041	$286, 843, 466	2.0	−$1, 590, 903	−0.3	$41, 269, 891	1.8	−$42, 860, 794
Tires used on aircraft	4071(a)(2)	12, 790, 000	.1			850, 000	(1)	−850, 000
Tubes used on aircraft	4071(a)(3)	1, 900, 000	(1)			90, 000	(1)	−90, 000
Gasoline—commercial	4081	12, 809, 543	.1	102, 513	(1)	1, 394, 207	.1	−1, 291, 794
Gasoline—noncommercial	4081	248, 996, 893	1.7	1, 106, 243	.2	27, 771, 695	1.2	−26, 665, 452
Transportation by air—seats, berths, etc	4261(a)(b)	9, 030, 947, 007	62.5	18, 573, 862	3.2	1, 600, 596, 473	70.4	−1, 582, 022, 611
Use of international travel facilities	4261(c)	601, 556, 706	4.2	8, 733, 939	1.5	92, 046, 298	4.0	−83, 312, 359
Transportation of property, cargo	4271	530, 147, 893	3.7	−2, 348, 293	−.4	91, 775, 885	4.0	−94, 125, 178
Use of civil aircraft	4491	222, 560, 790	1.5	538, 571	.1	20, 716, 736	.9	−20, 178, 165
Gross excise taxes		10, 948, 552, 298	75.8	25, 115, 833	4.3	1, 876, 512, 185	82.5	−1, 851, 396, 352
Less refunds of taxes (reimbursed to general fund):								
Commercial gasoline [2]	6427	12, 731, 726	.1	825, 776	.1	1, 205, 950	.1	−380, 174
Noncommercial gasoline [2]	6427	1, 768, 311	(1)	790, 281	.1			790, 281
Civil aircraft	6426	6, 427, 141	(1)	2, 053, 512	.4	982, 865	(1)	1, 070, 647
Any liquid fuel other than gasoline	4041	2, 133, 132	(1)			458, 117	(1)	−458, 117
Gasoline—retailers tax		103, 174	(1)	71, 683	(1)	31, 491	(1)	40, 192
Airline ticket refund	4261(a)(b)	9, 523	(1)	9, 523	(1)			9, 523
Total, refunds of taxes		23, 173, 008	.1	3, 750, 775	.6	2, 678, 423	.1	1, 072, 352
Net taxes		10, 925. 379, 290	75.6	21, 365, 058	3.7	1, 873, 833, 762	82.4	−1, 852, 468, 704

Federal payment	720,279,000	5.0					
Transfers of certain general fund balances [2]	873,032,809	6.0					
Interest on investments	1,926,734,683	13.3	560,934,828	96.3	399,934,812	17.6	161,000,016
Total, receipts	14,445,425,782	100.0	582,299,886	100.0	2,273,768,574	100.0	−1,691,468,688
OUTLAYS							
Federal Aviation Administration:							
Operations	2,804,576,445	28.8	495,121,932	37.9	324,989,972	26.6	170,131,960
Grants-in-aid for airports	3,741,271,253	38.5	469,043,423	35.9	590,343,732	48.2	−121,300,309
Facilities and equipment	2,429,231,917	25.0	252,414,134	19.3	230,348,311	18.8	22,065,823
Research, engineering, and development	749,263,785	7.7	89,140,411	6.8	77,833,714	6.4	11,306,697
Aviation Advisory Commission—Salaries and expenses	1,940,670	[1]					
Interest on refunds of taxes	310,354	[1]	95,790	[1]	38,400	[1]	57,390
Total, outlays	9,726,594,425	100.0	1,305,815,690	100.0	1,223,554,129	100.0	82,261,561
FUND ASSETS							
Investments (Government account series), Treasury certificates of indebtedness:							
10¼ percent, maturing June 30, 1981	4,711,668,000		4,711,668,000		5,422,950,000		−5,422,950,000
11¾ percent, maturing June 30, 1982	7,163,358		7,163,358				4,711,668,000
Undisbursed balance					19,397,162		−12,233,804
Total assets [4]	4,718,831,358		4,718,831,358		5,442,347,162		−723,515,804

[1] Less than 0.05 of 1 percent.
[2] Includes income tax credits.
[3] Unexpended balances of certain general fund accounts transferred to the trust fund pursuant to Airport and Airway Revenue Act of 1970, sec. 208(c).
[4] Large portions of the unexpended balance are committed to liquidate outstanding unfunded obligations (contract authority) and to liquidate unexpended appropriations.